

**UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MISSOURI
NORTHERN DIVISION**

DUSTIN J. HEFLEY,)	
)	
Plaintiff,)	
)	
v.)	No. 2:21-CV-41 RLW
)	
DANIEL REDINGTON, et al.,)	
)	
Defendants.)	

MEMORANDUM AND ORDER

This matter is before the Court on Defendant Corizon Health, Inc. a/k/a Corizon, LLC, n/k/a Tehum Care Service, Inc.’s (“Corizon”) Suggestion of Bankruptcy and Notice of Automatic Stay. (ECF No. 84). The Notice reflects that Corizon has filed a voluntary Chapter 11 bankruptcy petition in the Southern District of Texas. *Id.*

The filing of a bankruptcy petition triggers an automatic stay of all ongoing judicial proceedings against a debtor—here, Corizon—that were filed before the bankruptcy petition. 11 U.S.C. § 362(a)(1). Thus, all proceedings in this action with respect to Corizon must be stayed pending the completion of the bankruptcy proceeding.

What is less clear is the impact of Corizon’s bankruptcy petition on the non-debtor defendants in this action. Generally, the automatic stay applies only to actions against the debtor. *In re Panther Mountain Land Dev., LLC*, 686 F.3d 916, 921 (8th Cir. 2012) (citation omitted). Many circuits, however, recognize an exception to this rule in “unusual circumstances.” *Id.* (citation omitted). “The unusual circumstances in which the bankruptcy court can stay cases against non-debtors are rare.” *Id.* (quoting *Ritchie Capital Mgmt., L.L.C. v. Jeffries*, 653 F.3d 755, 762 (8th Cir. 2011)). Such circumstances typically arise where “there is such identity between the

debtor and the third-party defendant that the debtor may be said to be the real party defendant and that a judgment against the third-party defendant will in effect be a judgment or finding against the debtor.” *Ritchie*, 653 F.3d at 763 (citing *McCartney v. Integra Nat’l Bank N.*, 106 F.3d 506, 510 (3d Cir. 1997)). “An illustration of such a situation would be a suit against a third-party who is entitled to absolute indemnity by the debtor on account of any judgment that might result against them in the case. To refuse application of the statutory stay in that case would defeat the very purpose and intent of the statute.” *A.H. Robins Co. v. Piccinin*, 788 F.2d 994, 999 (4th Cir. 1986). “[T]he automatic stay will apply to non-debtors only when a claim against the non-debtor will have an immediate adverse economic consequence for the debtor’s estate.” *Ritchie*, 653 F.3d at 763 (citing *Queenie, Ltd. v. Nygard Int’l*, 321 F.3d 282, 287–88 (2d Cir. 2003)) (internal quotation marks omitted).

Here, Defendants Cathy Griffith, Regina Gonia, and Dawn Wade are former employees of Corizon. (ECF No. 86 at 2). Corizon provides legal representation to its current and former employees in lawsuits that arise from their employment duties. *Id.* Corizon also pays settlement funds and monetary awards arising from such lawsuits. *Id.* Thus, a judgment against Defendants Griffith, Gonia, or Wade in this case would, in effect, be a judgment against Corizon. *See Ritchie*, 653 F.3d at 763. Put another way, if the Court allowed Plaintiff’s claims against these defendants to proceed and Plaintiff succeeded on those claims, any resulting judgment would have an immediate adverse economic impact on Corizon’s bankruptcy estate. *Id.* For these reasons, the Court finds that “unusual circumstances” exist in this case and that the automatic stay shall also extend to non-debtor Defendants Griffith, Gonia, and Wade. The stay does not apply to non-Debtor Defendants Redington, Precythe, Lewis, or Hilpert.

Accordingly,

IT IS HEREBY ORDERED that this matter is **STAYED** with respect to Defendants Corizon LLC, Cathy Griffith, Regina Gonia, and Dawn Wade until further order of the Court.

IT IS FURTHER ORDERED that counsel for Defendants Corizon LLC, Cathy Griffith, Regina Gonia, and Dawn Wade shall file a status report regarding the bankruptcy proceedings with the Court within 90 days from the date of this Order, and every 90 days thereafter. Counsel may file motions to extend, modify, or lift the stay, as necessary. Within seven days of the termination of the bankruptcy proceedings, Corizon LLC shall file with this Court a notice of termination of the bankruptcy proceedings.

A handwritten signature in cursive script that reads "Ronnie L. White". The signature is written in black ink and is positioned above a horizontal line.

RONNIE L. WHITE
UNITED STATES DISTRICT JUDGE

Dated this 21st day of March, 2023.